

# Housing Programs

## December 2004 Newsletter

[www.rurdev.usda.gov/mt/](http://www.rurdev.usda.gov/mt/)



Committed to the future of rural communities.

Deborah Chorlton, Housing Program Director  
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### RD Housing Programs Fiscal Year 2005 To Date

Guaranteed Loans:	81	/	\$8,800,125
502 Direct:	9	/	\$ 597,691
504 Loan/Grants:	4	/	\$ 13,796
Self-Help Grants:	1	/	\$ 20,750

**TOTAL – 95 UNITS FOR \$9,432,362**

***MONTANA RURAL DEVELOPMENT  
HAS STARTED TO RECEIVE SOME  
OF ITS FISCAL YEAR 2005  
FUNDING!***

***CALL YOUR AREA OFFICES FOR  
FUNDING UPDATES!***



### 502 DIRECT LOAN PROGRAM

Interest rates remain at 6% through 1/31/05.

#### ***NEW LEVERAGING GUIDELINES***

The Administrator issued an unnumbered letter in September which clarifies the Agency's rules on leveraging 502 loan funds. It also implements more restrictive guidelines. The following is a recap of the new rules. These rules are more restrictive and implemented for the borrower's benefit. You can obtain a copy of the unnumbered letter at <http://rdinit.usda.gov/regis>.

1. The 20% leveraging requirement will be strictly enforced in order for applicants to qualify for the equivalent interest rate (payment assistance). Leveraging transactions require lenders to make the largest loan a borrower will qualify for, and it must always meet or exceed 20% of the total transaction. Exceptions to the 20% will only be made if leveraging consists entirely of grants or forgivable loans that are collectively 15% or more of the total transaction.



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## 502 DIRECT LOAN PROGRAM



### ***NEW LEVERAGING GUIDELINES – continued***

2. The lender's interest rate cannot exceed 2% or 200 basis points over the Agency's note rate.
3. The lender's loan fees can only be applied to the lender's loan, i.e. if origination fee is 1% it can only be charged against the lender's portion of the transaction and not the entire transaction amount. The lender's total loan fees cannot exceed 3.5% or 350 basis points of the lender's loan.
4. Leveraging loan packages that include "yield spread premiums," "yield differentials," "rate participation fees," or "par plus pricing" cannot participate in the leveraging program. The borrower must be given the best interest rate for which they qualify.
5. Lenders or programs that require Private Mortgage Insurance, Mortgage Insurance, or similar products cannot participate in the leveraging program.
6. The Agency prefers that all financial references to the transaction be contained on one Settlement Statement (HUD-1). The HUD-1 should include all funds in and out of the transaction regardless of the number of funding sources. Some lenders require separate statements. If a lender requires a separate statement, the Agency must receive a copy of said statement.
7. All transactions will require the *Agreement with Prior Lien holder* – Form RD 1927-8, be executed and recorded with the Trust Deed. Even though state statute required junior lien holder notification prior to foreclosure, several instances have occurred whereby

the Agency has not been notified. This document will mitigate the Agency's risk.

Montana Board of Housing (MBOH) provides lenders a 2% purchase premium on FHA insured mortgages, whenever the lender waives the fees. All MBOH loans must be priced at MBOH's interest rates. The partnership between MBOH and Rural Development provides the lender with an easy way to participate in the Agency's leveraging program and meets all the Agency's requirements.



## 504 DIRECT LOAN & GRANT PROGRAM

All of our partners are reminded that the 504 Loan and Grant Program can be leveraged with almost any funding source. The program's purpose is to assist very low income homeowners with funds to repair and/or rehabilitate their homes. The usage of grant funds is restricted to health and safety items and handicap accessibility work. Loan funds can be used for general repairs, home improvements, and modernization of the property, as long as it remains modest.

Winterization is a perfect example of how these funds can be used in conjunction with statewide winterization organizations. Roofing, doors, windows, plumbing, electrical, insulation, flooring, heating, siding, water and waste water systems are all examples of eligible uses.



## MUTUAL SELF-HELP HOUSING



### GUARANTEED RURAL HOUSING (GRH)

GRH Fee Change: the GRH fee changed from 1.75% to 2% effective December 11, 2004. All transactions closed on or after that date must be charged a 2% fee. If a transaction was closed before December 11, 2004 with a 2% fee, the fee differential needs to be refunded to the borrower. Contact your Area Office with questions.

***WE WANT TO EXTEND A SPECIAL THANKS TO ALL OF OUR PARTNERS AND PARTICIPATING LENDERS FOR THEIR PATIENCE AND HARD WORK THIS FIRST QUARTER. YOUR EFFORTS HAVE ALLOWED PROGRAM DELIVERY TO CONTINUE WITH LIMITED INTERRUPTION TO THE CUSTOMER WE SERVE.***

***Reminder: RD AN 4011 "SFH Loan Program Requirements Related to New Construction and Homes in Planned Unit Developments" was issued on 09/30/2004 and introduced several changes to the requirements for lenders and the Agency. You can view the AN at: <http://rdinit.usda.gov/regs>.***

With the addition of our two new grantees; Laurel Development Corporation and Neighborhood Housing Services of Great Falls, Inc., the MSH homes to be built through this program will total 185 by the FYE 2005. The communities of Butte, Lewistown, Somers, and Livingston currently have subdivisions under construction. The communities of Laurel and Black Eagle will start construction in early spring. As the program grows throughout Montana, rural communities are able to see improved housing conditions, new housing stock, and a larger number of homeowners.

To date, Rural Development has provided 19 grants totaling \$3,531,940 to grantee organizations that provide technical assistance to homeowners. RD has also provided 88 mortgages totaling \$7,577,593 to the owners of those homes.

On February 15<sup>th</sup> and 16<sup>th</sup>, 2005 Rural Development and Rural Community Assistance Corporation (RCAC) will conduct a joint training workshop for all the grantees and their employees throughout Montana. The workshop will be held in Helena, and it should prove to be very productive. Look for invitations and agendas to be mailed out the first week in January.

### JOHN ELLISION - RETIRES

John has worked for USDA for over 22 years. He's earned his retirement by managing the Kalispell Area Office (#1 in MT) for the past 11 years. We thank John for his dedication and contributions in assisting rural Montanans in obtain homeownership. John intends to do a lot of fishing, kayaking, and spending time spoiling his new granddaughter.

***Enjoy your retirement!!!!***

**Thanks John**



We would like to thank each and every one of you for your hard work throughout the past year. A lot of changes affecting our staff and our programs have occurred. Your patience and cooperation is greatly appreciated. Working together, we will continue to provide affordable housing mortgage products to low income families, many of whom would not have a home without your support of these important programs.

Thank you once again, and from the entire housing staff at Rural Development, we wish you Happy Holidays and a prosperous New Year.

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